

Sports Bar and Grille

Stone Oak Sports Bar & Grille

1891 Ribersol Blvd.
Boerne, Michigan 43120

Staff at *BusinessandMarketingPlans.com*

This business plan secured \$350,000 to help launch the first and "finest" sports bar in one of the fastest-growing areas in an upscale community. "Wow!" is one of the defining statements made by the banker who reviewed the well-researched, detailed plan, presented by a veteran restaurateur and a former law enforcement officer.

EXECUTIVE SUMMARY

Market Analysis

The Stone Oak Sports Bar & Grille will provide quality food in a quality atmosphere, along with excellent service, to become the first and finest sports bar in our area. The Stone Oak Sports Bar & Grille has been established out of a need to fill a niche in the Boerne, Michigan, market. Currently, there are no major chain restaurants located within one mile of our proposed location and there are only three bar licenses, like the one our restaurant has, in Boerne giving us a solid competitive advantage.

The Stone Oak Sports Bar & Grille does anticipate competition emerging in this area to meet demand. However, we hope to solidly establish ourselves in this market in a position of dominance by serving the best in food and entertainment. Furthermore, our strategic alliance with Nick Parro's Pizza will be vital to our success. Utilizing this cross promotion will give our restaurant a competitive advantage.

Today, Boerne is one of Michigan's fastest-growing cities, and is blossoming into a meticulously planned municipality. The population has mushroomed from 10,737 in 1995 to an estimated 96,000 today, with a new home completed almost every hour.

Commercial development is booming, as well, boosting sales tax revenues from \$3.3 million in fiscal year 1996-97 to an estimated \$23.3 million in 2003-04. The state's largest Wal-Mart Super Center, a sizeable Home Depot, Lowe's Home Improvement Center and Target are the anchor tenants of two power retail developments strategically situated at the intersection of the city's two main thoroughfares.

For the past three decades, the restaurant industry has consistently posted yearly sales gains. Today's consumers regard food prepared away from home as a necessity. Convenience, a need for socialization and gains in real disposable income has led consumers to spend more of their food dollars in restaurants.

Restaurant industry sales are expected to reach a record \$476 billion in 900,000 restaurant locations in 2005, according to the National Restaurant Association's 2005 Restaurant Industry Forecast. The projected annual sales would mean a solid 4.9% increase over last year - and a total economic impact of over \$1.2 trillion, highlighting the restaurant industry's critical role as a job creator in the nation's economy.

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The restaurant industry is poised to add more than 1.8 million jobs over the next decade, with industry employment expected to rise from 12 million to 13.8 million by 2014, according to National Restaurant Association projections based on U.S. Bureau of Labor Statistics data. Despite modest growth during the challenging economic environment earlier this decade, the restaurant industry added an average of 260,000 new jobs a year for the last 10 years, statistics show. That steady growth in sales and jobs makes the industry the nation's largest private-sector employer. The industry's 12 million employees represent nearly 9% of total U.S. employment.

The Stone Oak Sports Bar & Grille is the best choice for quality, well-known food, exceptional service, and atmosphere. With the combined experience and knowledge of Mr. DiMuzio and Mr. Sturgeon, The Stone Oak Sports Bar & Grille will easily become a highly lucrative and successful organization.

Objectives

The Stone Oak Sports Bar & Grille's Main Objectives

- To secure funding in the amount of \$350,000
- To achieve revenues in excess of \$1,000,000 in the first fiscal year, increasing to \$1,200,000 in the fifth fiscal year

Mission

The Stone Oak Sports Bar & Grille will deliver the first and finest sports bar in our area. We offer the best atmosphere with high quality food and excellent services while maintaining healthy profits and employing the best service-oriented people.

FINANCIAL ANALYSIS

Keys To Success

1. Provide Excellent Service
2. Quality Food
3. Superior Entertainment

Financial highlights

Stone Oak	FY1	FY2	FY3	FY4	FY5
Total income	\$1,014,500	\$1,075,370	\$1,139,892	\$1,208,286	\$1,280,783
Gross profit	\$ 758,259	\$ 803,755	\$ 851,980	\$ 903,099	\$ 957,285
Net profit	\$ 199,233	\$ 219,217	\$ 250,941	\$ 284,951	\$ 321,400

ORGANIZATION

The Stone Oak Sports Bar & Grille is established out of a need. We realized the great potential for a high-quality facility in this area. Our success in the law enforcement arena and in the pizza restaurant business has positioned us for success along with the needed knowledge and experience.

Company Ownership

The Stone Oak Sports Bar & Grille is incorporated as Heartland Futures, a Limited Liability Company (LLC) in the state of Michigan. The ownership of the company is split between Henry DiMuzio (51%) and Nick Sturgeon (49%).

Company Facilities and Location

The Stone Oak Sports Bar & Grille will be leasing a 5,850 square-foot facility. We are estimating the leasehold improvement to cost approximately \$270,000. In the restaurant business, location, location, and location are very important. We have selected a building in a prime location a half a mile west of the New Boerne Sports Complex (host to the best sporting events in town). The following information on the location and facilities was provided by Mercury Partners, Inc.

Use of Funds

In the table below, the Owner's Investment total consists of the start-up expenses and \$200,000 in cash. All calculations presented in this plan are based on a \$350,000 seven-year installment loan at 7.50% interest.

Use of funds	
Start-up expenses	
Liquor license (paid)	\$ 93,000
Architectural fees (paid)	\$ 20,000
Total start-up expenses	\$113,000
Start-up assets	
Cash	\$ 21,257
Food inventory	\$ 7,502
Bar inventory	\$ 21,240
Total current assets	\$ 50,000
Long-term assets	
Equipment	\$230,000
Leasehold improvements	\$270,000
Total long-term assets	\$500,000
Total assets	\$550,000
Owner's equity	
Owner's Investment	\$313,000
Total owner's equity	\$313,000
Liabilities	
Current liabilities	
Total current liabilities	\$ 0
Long-term liabilities	
Loan	\$350,000
Total long-term liabilities	\$350,000
Start-up expenses	(\$113,000)
Total liabilities and owner's equity	\$550,000

PRODUCTS & SERVICES

The Stone Oak Sports Bar & Grille will provide quality food in a quality atmosphere along with excellent service. The idea behind our atmosphere, food and service is to fill a niche in the Boerne market.

We will be utilizing top-of-the-line audio and visual equipment for sports entertainment making us a choice location. We will not only be pulling customers in, but increasing their stay time and creating a community. The Stone Oak Sports Bar & Grille will be the first restaurant in this area with this type of equipment. Furthermore, our food will be quality, yet familiar (like an Applebee's, TGI Friday's, etc.) and our service will be exceptional. This company will tolerate nothing but the best.

Menu

The Stone Oak Sports Bar & Grille Menu

Appetizers

- Fried Calamari (choice of sweet or hot marinara sauce)
- Steamers by the Dozen (steamed clams served with drawn butter and Tabasco sauce)

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- Mozzarella Sticks (8) (choice of sweet or hot marinara sauce)
- Chicken Fingers (6) (choice of 2 dipping sauces: BBQ, Honey Mustard, Sweet & Sour or Ranch)
- Potato Skins (6) (served with sour cream)
- Wings (12) Mild, Hot, or Insanely Hot (served with Ranch Dressing); available plain or BBQ
- Poppers (8)
- Fried Zucchini Basket (served with Ranch dressing)
- French Fries Basket (steak cut, string & seasoned curly)
- Onion Rings Basket
- Nachos Basket (served with sour cream, guacamole, salsa, and melted cheese)
- Quesadilla (choice of cheese, chicken or steak)

Food Items

- Half-pound Hamburgers and American Cheeseburgers (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad) and standard Burger set-up of Lettuce, Tomato, Pickle and Red Onion. Additional items available for additional charge are: Cheddar cheese, Swiss cheese, Blue cheese, Monterrey Jack cheese, bacon, cooked onions, sauted mushrooms and avocado
- Bun Size Vienna Beef Hot Dogs (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad and choice of either Chili, Sauer Kraut, Cheese Sauce, or Onions). Additional items available for additional charge are: tomato, cucumbers, relish or Italian-style cooked potatoes, peppers and onions
- 10 oz. Ribeye Steak Sandwich on toasted garlic bread (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad and choice of either grilled onions or sauted mushrooms and one cheese)
- Our Famous Slow-Cooked Pork Ribs. One-half or whole slab with our secret family BBQ Dressing (choice of one of 3 types of Fries or Onion Rings or Homemade Potato Salad)
- 8 oz. Grilled Chicken Breast Sandwich (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad and standard Chicken set-up of Lettuce, Tomato, Pickle and Red Onion). Additional items available for additional charge are: Cheddar cheese, Swiss cheese, Blue cheese, Monterrey Jack cheese, bacon, cooked onions, sauted mushrooms and avocado
- Chicken Fingers (8) Basket with dipping sauce (choice of one of 3 types of Fries or Onion Rings or Homemade Potato Salad and choice of 2 dipping sauces: BBQ, Honey Mustard, Sweet & Sour or Ranch Dressing)
- Italian Beef Sandwich with Au jus and melted Mozzarella Cheese (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad or Potato Chips). Additional items available for additional charge are: grilled onions or sauted mushrooms
- Italian Sweet Sausage & Peppers Sub Sandwich (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad or Potato Chips)
- Italian Sub Sandwich (Ham, Salami, Cappelletti, & Provolone Cheese with shredded lettuce, tomato, onions and oil and vinegar). Choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad or Potato Chips. Mayo and italian dressings available
- Bacon, Lettuce, & Tomato (BLT) Sandwich on Toasted White or Wheat Bread (choice of one of 3 types of Fries or Onion Rings or Home Made Potato Salad or Potato Chips)
- Club Sandwich on Toasted White or Wheat Bread (Ham, Turkey, Bacon, American cheese, Lettuce & Tomato). Choice of one of 3 types of Fries or Onion Rings or Homemade Potato Salad or Potato Chips

Pasta

- Baked Lasagna
- Baked Ziti
- Ravioli
- Penne
- Angel Hair

Pizza

- Cheese
- Pepperoni
- Sausage
- Vegetable
- 10" personal Chicago Style pizza made by Nick's Pizza

Salads

- Spinach Salad: Baby Spinach with Boiled Eggs, Green Onions, and Bacon. Served with a sweetened cider vinegar dressing.
- Caesar Salad: Romaine Lettuce, Shredded Parmesan cheese & Anchovy filets, tossed with Caesar dressing and topped with toasted croutons.
- Grilled Chicken Caesar Salad: Sliced Seasoned Grilled 8 oz. Chicken Breast, Romaine Lettuce, Shredded Parmesan cheese and Anchovy filets, tossed with Caesar dressing.
- Buffalo Chicken Salad: Sliced Breaded 8 oz. Chicken Breast Basted in Hot or Mild Buffalo Sauce, over Romaine Lettuce with Blue cheese Dressing. Other dressing available upon request.
- Grilled Chicken Walnut Salad: Sliced Seasoned Grilled 8 oz. Chicken Breast, Romaine Lettuce, Sliced Granny Smith Apples & Candied Walnuts served with Balsamic Vinaigrette. Other dressing available upon request.
- Chef Salad: Mixed Green Lettuce, Sliced Ham, Sliced Turkey, Sliced Swiss cheese or Provolone cheese, Boiled Egg, Tomato Wedges and your choice of dressing.

Services

This business will be a mix of a family style and a corporate restaurant. By having owner operators present in the business operations, we are more aware of the business operations from quality food, good service, to customer satisfaction. Our staff will know we are serious and that we watch their service and the quality of the product that they serve. In addition, we believe the best restaurants are those that have an eye not only on weekly and monthly figures, but also know their daily figures and what goal they must reach.

The Stone Oak Sports Bar & Grille will focus mainly on meal counts, daily and weekly purchases, labor, and food and beverage costs. In slow times, we will reduce servers and kitchen personnel. Our two largest expenses are most likely food, labor and liquor costs. We will physically control our inventory and watch for the ability of food or beverages to be "walking out the door." Therefore, we will put periodic inventory counts in place to make sure the employees know we are watching.

Furthermore, in this economy the customer—more than ever—is looking not only for a quality product and great service, but a real value as well. We will keep in mind that once they have had just one bad experience, we may lose that customer for life! We will make sure the employees know the standards The Stone Oak Sports Bar & Grille are attaining.

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For example, before every meal, as the wait staff is hearing the daily specials, we can make sure that the manager runs over some basic protocol tips, or ways to make the experience for our customer more enjoyable. At The Stone Oak Sports Bar & Grille we will train them to “up sell” and make recommendations, if so asked. There’s nothing worse than a server who doesn’t know the food that he or she is serving.

Finally, we understand that there are many ways to get our name in the news. From special dinner events to getting a review in the local paper, getting free publicity works great. We may consider many options like specials on holiday meals and sponsoring Chamber or local town events in non-peak hours.

OPERATIONS

In order to ensure successful operations many things will need to be categorized and codified to make sure we meet quality food and service standards. Utilizing checklists can guarantee that we are following the rules. The following is a short list of potential checklists we are developing:

- Service Checklist
- Purchasing Checklist
- Receiving Checklist
- Storage Checklist
- Preparation Checklist
- Cleaning Checklist (kitchen & storage)
- Bartender’s Checklist
- Manager’s Opening Checklist
- Manager’s Shift Change Checklist
- Manager’s Closing Checklist

Competition

Boerne is very unique with its liquor licenses. There are currently only two bar licenses, giving us a solid competitive advantage.

Our Three Competitors

- Benatar Lounge: It’s mainly a biker/rocker bar with only 2,500 square feet. It doesn’t serve food.
- Marathon Sports Bar: Another bar that doesn’t serve food. It has one small TV, and is located in an undesirable side of the city.
- Armadillo Alley: This bar is 10 miles west of us, and is a country-western bar that doesn’t serve food. It’s also in a bad location.

We do anticipate competition emerging in this area to meet demand. We hope to establish ourselves in this market and in a position of dominance by serving food and entertainment, thus creating a quality experience.

There is competition in our area along the corporate lines of business as follows:

- Mariposa Mexican Restaurant
- TGI Friday’s
- Applebee’s
- Chili’s

These “corporate” restaurants serve decent, quality food with average service. However, appealing to the sports market is something that isn’t done. They do not create an atmosphere and entertainment since

their primary goal is table turnover. While we understand the importance of table turnover, we also understand the desire to be entertained, to have a drink, to sit and relax.

Sales Literature

One of the most important pieces of information is our menu. We will also be developing take home menus, putting door hangers on doors, doing local area direct mailing, and advertising in the *Boerne Independent* and *Boerne Today*.

Furthermore, our strategic alliance with Nick's Pizza will be very important. Utilizing cross promotion can give us a competitive advantage. We will serve his pizza in the bar and he will promote our restaurant on every pizza box. In addition, we will develop a full website that promotes the sports we will be showing, events taking place, menu specials, and promotional items. This website will even include coupons for slow times or lunch specials.

Sourcing and vendors

- Nick's Pizza
- Sysco
- United Beverage
- Northern Wine and Spirits
- Al's Beverages
- Brownsville Distributing
- Silver Eye Beverage
- Peroggi's Foods

Technology

We have a POS System in our budget. Currently, we are evaluating *Dinerware* from Positive Technologies. The following lists detail the benefits of this software system.

Ticket Handling

- Learn how to handle tickets in five minutes.
- The ticket shows all details, including choices and discounts.
- Instantly create a new ticket by simply choosing a menu item.
- Enter and pay for bar drinks quickly. No "fast bar" mode required.
- Split tickets.
- Share Items.
- Combine tickets.
- Add new people to a ticket at any time. Great for informal groups dining in the bar!
- Transfer tickets between servers.
- Change tables.
- One-touch item repeat is great for bartenders.
- Unlimited payments on a single ticket.
- Optional credit card integration.
- Ad-hoc ticket / table names.
- Hold and release items to control remote printing.

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Order Routing

- *Dinerware* supports unlimited custom printers for Kitchen, Bar, Pizza, Hot Side, Cold Side, Wine Steward, and whatever else you need.
- Any item may print on any combination of printers when it is ordered.
- Choices can print at separate printers from their items; i.e. you could send the Side Salad to the Cold Side printer automatically.
- Items are not sent until all required choices have been made.
- Type a free-text Special Request for any item.
- If a printer malfunctions, it's easy to assign jobs to another printer temporarily.
- Items are sorted by Item Group at the kitchen printer, so you will see Appetizers before Entrees.

Menu Management

- Unlimited items and choices.
- No buttons to create. The order entry screens are created automatically.
- Quick adjustments from any terminal, anytime.
- Menu items can appear in multiple places.
- Unlimited Choices (aka Modifiers).
- Choices can affect item price by fixed amount or percentage.
- Use Item Groups to change the price of many items at once.
- Flexible taxation and revenue class options.
- Enter the cost of each item you sell for profit analysis.

Business Policies

- Unlimited, custom Void reasons.
- Create an unlimited number of custom discount types for gift certificates, coupons, promotions, employee perks, and happy hours
- Set up happy hours with a few mouse clicks, and turn them off the same way. The other software packages make you wrestle with an extremely complex and error-prone price schedule.

Reporting

- All data generated is kept in the database forever. You can generate history reports for any period, going as far back as you want.
- Instant, on-screen, daily sales and statistics are available at any time from any terminal, and print at the receipt printer.
- See the daily balance report for any server at any time. Servers can preview their own report at any time, and print it at the end of their shift.
- The "Blind Bartender" option allows you to restrict certain jobs from being able to view their daily report.
- View any report, at any time, from any Workstation. The other software packages force you to use a cumbersome "back office" program.
- *Dinerware* comes with dozens of useful reports, many with graphs.
- Reporting is expandable and customizable.

Another important technological consideration is our website, located at www.TheStoneOakSports-Bar.com. This can be important for promotional reasons and for customer connections. Feedback forms and much more can be utilized to be more intimate with our customers as well.

We will also be installing a surveillance system and ADT Monitoring. By using CCTV, we can keep our eyes on inventory and also make sure we are operating a safe and secure environment.

GROWTH STRATEGY

Location

Boerne was little more than a gas station and few small houses in 1938 when founder, Cecil M. Jacobs, a Finneytown lawyer and former state legislator turned real estate developer, subdivided the rural square-mile parcel into low-cost home sites for the area's agricultural workers, naming it after his New Hampshire hometown.

Today, it's one of Michigan's—and America's—fastest-growing cities blossoming into a meticulously planned metropolis. The population has mushroomed from 10,737 in 1995 to an estimated 96,000 today with a new home completed almost every hour.

There were nearly 5,000 single-family home starts in 2003, with more than 6,000 expected in 2004. Boasting 28 of Michigan's top 50 home builders, Boerne offers world-class resort retirement living in developments as well as award-winning, master-planned family communities.

Boerne, the once-sleepy square-mile farming community, is also offering millions in public funding to lure a professional sports team to town. A new aquatic center opened this summer with new parks, and a \$1.7 million recreation center and a \$1.5 million youth softball complex are in the budget for this fiscal year. In fact, \$116 million of the city's \$196 million 2004–05 budget is for capital projects such as a public safety building, fourth fire station, museum, water treatment plant expansion and road improvements. Yet, Boerne property tax rate ranks among the lowest in the state at .9101 per \$100 of assessed valuation.

Commercial development is booming as well, boosting sales tax revenues from \$3.3 million in fiscal year 1996–97 to an estimated \$23.3 million in 2003–04. A Wal-Mart Supercenter, a sizeable Home Depot, Lowe's Home Improvement Center and Target are the anchor tenants of two power retail developments strategically situated at the intersection of the city's two main thoroughfares. Together, they feature more than 50 locally and nationally known retailers including Bed, Bath & Beyond, Barnes and Noble, Pier One Imports, Linens 'N Things, Red Lobster, Olive Garden and Starbuck's. Kohl's Department Store opened nearby and throughout the city more churches, gas stations, grocery and drug stores are cropping up.

The Earl Michaels Memorial Hospital nearly doubled in size in 2003 when it expanded to include women's services, labor and delivery, and a pediatric neonatal wing, and plans are progressing for a 2009 groundbreaking on a regional mall, auto mall, power center and lakefront home development along the nearby major interstate.

All the following data in the market analysis is taken from a within a five-mile radius of our proposed location—the corner of W. Cotton Rd. and Stone Oak Lane.

Executive Demographic Summary (Five-Mile Radius)

The population in this area is estimated to change from 63,083 to 105,173, resulting in a growth of 66.7% between 2000 and the current year. Over the next five years, the population is projected to grow by 32.1%. The current year median age for this population is 49.7, while the average age is 46.3. Five years from now, the median age is projected to be 45.1.

The number of households in this area is estimated to change from 28,989 to 44,436, resulting in an increase of 53.3% between 2000 and the current year. Over the next five years, the number of households is projected to increase by 29.4%. The average household income is estimated to be \$60,951 for the current year.

Market Segmentations and Demographic Detail

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Description	0.00–1.00 miles		0.00–3.00 miles		0.00–5.00 miles	
	Radius	%	Radius	%	Radius	%
Population						
2010 projection	21,048		82,273		138,977	
2005 estimate	15,036		61,187		105,173	
2000 census	7,188		34,016		63,083	
1990 census	324		9,764		28,922	
Growth 2005–2010	39.98%		34.46%		32.14%	
Growth 2000–2005	109.18%		79.88%		66.72%	
Growth 1991–2000	1,983.48%		248.38%		118.11%	
2005 Est. population by sex						
	15,036		61,187		105,173	
Male	7,470	49.68	29,545	48.29	51,285	48.76
Female	7,566	50.32	31,641	51.71	53,888	51.24
Male/female ratio	0.99		0.93		0.95	
2005 Est. population by age						
	15,036		61,187		105,173	
Age 0–4	1,778	11.82	4,325	7.07	7,640	7.26
Age 5–9	1,282	8.53	3,619	5.18	5,820	5.53
Age 10–14	1,153	7.67	2,870	4.69	5,363	5.10
Age 15–17	518	3.45	1,129	1.85	2,518	2.39
Age 18–20	285	1.90	914	1.49	2,405	2.29
Age 21–24	468	3.11	1,454	2.38	3,438	3.27
Age 25–34	3,243	21.57	8,295	13.56	12,936	12.30
Age 35–44	2,269	15.09	5,629	9.20	9,427	8.96
Age 45–49	604	4.02	1,647	2.69	3,224	3.07
Age 50–54	564	3.75	1,905	3.11	3,174	3.02
Age 55–59	661	4.40	3,597	5.88	5,243	4.99
Age 60–64	595	3.96	5,218	8.53	8,196	7.79
Age 65–74	999	6.64	12,064	19.72	19,782	18.81
Age 75–84	491	3.27	7,404	12.10	13,294	12.64
Age 85 and over	127	0.84	1,565	2.56	2,713	2.58
Age 16 and over	10,607	70.54	50,357	82.30	85,402	81.20
Age 18 and over	10,305	68.54	49,693	81.21	83,833	79.71
Age 21 and over	10,019	66.63	48,779	79.72	81,428	77.42
Age 65 and over	1,616	10.75	21,033	34.37	35,789	34.03
2005 Est. median age	31.27		53.05		49.71	
2005 Est. average age	32.80		47.26		46.33	
2005 Est. households by household income						
	5,791		27,481		44,436	
Income less than \$15,000	274	4.73	1,606	5.84	3,196	7.19
Income \$15,000–\$24,999	346	5.97	2,175	7.91	4,177	9.40
Income \$25,000–\$34,999	508	8.77	3,267	11.89	5,876	13.22
Income \$35,000–\$49,999	1,105	19.08	5,380	19.58	8,910	20.05
Income \$50,000–\$74,999	1,779	30.72	7,607	27.68	11,533	25.95
Income \$75,000–\$99,999	960	16.58	3,882	14.13	5,385	12.12
Income \$100,000–\$149,999	580	10.02	2,509	9.13	3,737	8.41
Income \$150,000–\$249,999	195	3.37	737	2.68	1,156	2.60
Income \$250,000–\$499,999	32	0.55	259	0.94	358	0.81
Income \$500,000 and more	11	0.19	58	0.21	107	0.24
2005 Est. average household income	\$67,431		\$64,251		\$60,951	
2005 Est. median household income	\$59,305		\$54,313		\$50,128	
2005 Est. per capita income	\$25,970		\$28,917		\$25,799	

Exceptional Supply vs. Demand Analysis

Supply/demand analysis within one mile

Retail stores	Demand (consumer expenditures)	Supply (retail sales)	Opportunity gap/surplus
Foodservice and drinking places—722	24,324,197	491,635	23,832,562
Full-service restaurants—7221	10,029,566	87,577	9,941,989
Limited-service eating places—7222	10,376,686	404,058	9,972,628
Special foodservices—7223	1,845,469	0	1,845,469
Drinking places—alcoholic beverages—7224	2,072,476	0	2,072,476

Supply/demand analysis within three miles

Retail stores	Demand (consumer expenditures)	Supply (retail sales)	Opportunity gap/surplus
Foodservice and drinking places—722	108,845,683	55,053,922	53,791,761
Full-service restaurants—7221	44,921,845	39,274,401	5,647,444
Limited-service eating places—7222	45,951,723	15,367,786	30,583,937
Special foodservices—7223	8,195,393	0	8,195,393
Drinking places—alcoholic beverages—7224	9,776,722	411,735	9,364,987

Supply/demand analysis within five miles

Retail stores	Demand (consumer expenditures)	Supply (retail sales)	Opportunity gap/surplus
Foodservice and drinking places—722	170,650,757	62,953,974	107,696,783
Full-service restaurants—7221	70,402,708	40,279,887	30,122,821
Limited-service eating places—7222	72,192,444	21,716,768	50,475,676
Special foodservices—7223	12,873,986	17,375	12,856,611
Drinking places—alcoholic beverages—7224	15,181,619	939,944	14,241,675

Industry Analysis

The restaurant industry is poised to add more than 1.8 million jobs over the next decade, with industry employment expected to rise from 12 million to 13.8 million by 2014, according to National Restaurant Association projections based on U.S. Bureau of Labor Statistics data. Despite modest growth during the challenging economic environment earlier this decade, the restaurant industry added an average of 260,000 new jobs a year for the last 10 years, statistics show. That steady growth in sales and jobs makes the industry the nation's largest private-sector employer. The industry's 12 million employees represent nearly 9% of total U.S. employment.

For the past three decades, the restaurant industry has consistently posted yearly sales gains. Today's consumers regard food prepared away from home as a necessity. Convenience, a need for socialization and gains in real disposable income has led consumers to spend more of their food dollars in restaurants (*Let's Talk Business*, 2003).

More than 50% of all consumers visit a restaurant on their birthdays, making this the most popular occasion to eat out, followed by Mother's Day and Valentine's Day. More than four out of ten adults were restaurant patrons on a typical day in 1999. The average annual household expenditure for food away from home in 1998 was \$2,030, or \$812 per person. The restaurant-industry share of the food dollar today is 45.8%, compared with only 25% in 1955 (Mhef.org).

Industry Trends

Some of the key trends that are predicted for 2005 include:

- Greater use of technology and worker training as a means to boost productivity and efficiency. More than two-thirds of restaurant operators—including three out of four quick-service operators—say they are more productive than they were two years ago.
- Continued increased focus on healthy lifestyles and restaurants providing customers with balance, choice and customization. Surveys of both full-service and quick-service operators indicate that entre salads have increased in popularity more than many other menu items.
- Increased upgrades and improvements in decor with the help of new tax-depreciation rules. More than 54% of quick-service operators surveyed said they would dedicate a higher portion of their budget to remodeling in 2005, highlighting the focus on using ambiance and interior design to attract customers.

The National Restaurant Association research indicates that 25% of diners can be categorized as "adventurous," and are enthusiastic about trying new foods and ingredients. Most are between 30 and 60 years old, are educated and more likely to live in larger urban areas.

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Restaurant industry sales are expected to reach a record \$476 billion in 900,000 restaurant locations in 2005, according to the National Restaurant Association's 2005 Restaurant Industry Forecast. The projected annual sales would mean a solid 4.9% increase over last year—and a total economic impact of over \$1.2 trillion, highlighting the restaurant industry's critical role as a job creator in the nation's economy.

"American consumers will spend almost 47% of their food dollar in the restaurant community in 2005," said Steven C. Anderson, president and chief executive officer of the National Restaurant Association. "The restaurant industry will serve as a driving force in our nation's economy by providing jobs to 12.2 million employees and continue providing a social oasis and convenience to communities nationwide as it posts its 14th consecutive year of real growth next year."

Competition Distribution

Within one mile there are no major chain competitors! The following are major chains within five miles:

Description	Totals
Total casual dining	2
Total casual dining fern bar	1
Applebee's	1
Total casual dining steak	1
Outback Steakhouse	1
Total midscale	5
Total midscale cafeteria	1
Luby's	1
Total midscale hotel	1
Quality Inn Restaurant	1
Total midscale Italian	2
Fazoli's	1
Streets of New York	1
Total midscale sandwich	1
Auntie Anne's Hand-Rolled Soft	1
Total QSR	31
Total QSR chicken	2
Chick-Fil-A	1
KFC (Kentucky Fried Chicken)	1
Total QSR fish	1
Long John Silver's	1
Total QSR hamburger	4
Burger King	1
Jack in the Box	1
McDonald's	1
Wendy's	1
Total QSR ice cream	1
Dairy Queen	1
Total QSR Mexican	3
Del Taco	1
Rubio's Baja Grill	1
Taco Bell	1
Total QSR Oriental	1
Panda Express	1
Total QSR other sandwich	7
Arby's	1
Blimpie	1
Port of Subs	1
Quiznos	1
Subway	3
Total QSR other specialty	2
Starbucks Coffee	2
Total QSR pizza	4
Domino's Pizza	1
Peter Piper's Pizza	1
Pizza Hut	1
U S Pizza's	1
Total QSR retail	6
Chevron Gas Station Food Mart	2
Circle Food Stores	2
Diamond Shamrock Gas Station F	1
Quik Trip	1

BUSINESS STRATEGY

The Stone Oak Sports Bar & Grille believes there are several components of successful restaurant marketing. This isn't an all inclusive list, but some top strategic marketing issues include branding, positioning, due diligence, menu mix, and training.

Advertising

Branding

It's what customers, employees, vendors, the media and all other key constituents come to expect in dealing with our restaurant. Brand-building is closing the gap between what we promise and what we deliver. The Stone Oak Sports Bar & Grille believes a strong brand is one that has alignment between the promise and execution of quality food in a good atmosphere with high levels of service will be what we are known for.

Positioning

Positioning is an under-leveraged restaurant marketing component. Positioning is the place we will hold in the customers' mind relative to the competition (the cheaper choice, the higher quality choice, etc.) Effective positioning involves incorporation of our Unique Selling Proposition (USP). The Stone Oak Sports Bar & Grille is the best choice for quality, well-known food in our area. We also have the best service and coolest atmosphere. We are a unique service and product provider making the USP the one thing that only we can claim. It's a point of differentiation that the competition either cannot or does not claim.

Due Diligence

Restaurant marketing doesn't happen in a vacuum. We know that effective restaurant marketing must be built on a foundation of fact and knowledge about the market, our competition, our customers, our internal customers, financial history, marketing history, the industry, and outside forces that will impact our business. It's a lot to worry about, but our marketing has to factor these considerations into the overall strategy. Not even Coca-Cola can afford to market to everyone all the time, so effective market research and due diligence will help us be more effective in our marketing efforts.

Menu Analysis

Every six to twelve months, we'll want to conduct an analysis of our menu. This will include profitability analysis and competitive menu analysis. This will keep our menu fresh, relevant, and profitable. Also, we need to know specifically how each item on our menu is performing and also how it stacks up next to our top competition. We think of each item on our menu as a tenant leasing space and it has to earn its right to the space we've granted it.

Training

Marketing, human resources, operations and training are inextricably connected. Great marketing will just kill a bad operation faster. That's because if we send people into an operation that is performing at a B-level or below, people will have a bad experience and our money would be better spent on operation improvement rather than marketing. Training is a vital component of restaurant marketing. Our training will have to go beyond just employee orientation. We'll need an ongoing program that constantly improves and evolves our staff competencies. Also, we will include a restaurant marketing component in our training program so that we have a staff of ambassadors to help The Stone Oak Sports Bar & Grille's sales-building efforts.

Sales Building Strategy

Every effort we make to build sales falls into one of just four categories. Every promotion, advertisement, or offer will push one of the following four buttons:

- New Trial
- Frequency

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- Check Average
- Party Size

New Trial

These are first-time customers buying from us for the first time. They will establish their opinion of our company during this first purchase and decide what percent of mind-share to award us in the future. New trial is the most expensive of the four sales-builders as acquisition costs are typically 7–10 times more costly to execute than the other sales builders. However, it is impossible to increase frequency, check average or party size without customers to start with. After a customer base has been established, however, it is advisable to focus considerable efforts on the sales builders listed below.

Frequency

Frequency is how often existing customers return to us for future purchases. Frequency is generated by developing enduring relationships and loyalty among customers. While it is rare to disagree that frequency is important, an alarming number of businesses fail to appropriate the needed mind-share and resources to developing successful programs. Customer loyalty programs will become critical once we establish our core clientele.

Check Average

Check average often refers to the total purchase for each transaction. In this instance, however, we are referring primarily to per person check average—the amount each guest or customer spends at purchase. Check averages can be built through price increases, suggestive selling programs, effective internal merchandising, and through add-ons or upgrades to name but a few techniques. The Stone Oak Sports Bar & Grille anticipates our check average to be between \$15 and \$19.99. We will make sure that the increase in check average remains consistent with our overall positioning strategy.

Party Size

As the name would suggest, Party Size refers to the number of people in each party. Do customers primarily visit alone, in groups of two, groups of five, or more? Whatever the number, we will devise programs that encourage customers to bring more of their friends with them for each visit. Examples of programs include bus drivers eat free, birthday clubs and refer-a-friend tactics. Encouraging party size turns customers into advocates and enlists them as part of your sales-building team. We will use the above definitions to constantly assure that we continually and effectively frame the challenges of growing our sales.

MARKETING & SALES

There are several rules of thumb and ratios in the restaurant industry and there are some for restaurant marketing as well. A typical restaurant should allocate 3% to 6% of sales to marketing. It's also a good idea to allocate this money proportionally to our sales volume. Meaning, if July is our busiest month, we will spend a proportionate amount on our restaurant's marketing budget in that month.

Fish where the fish are biting is one of The Stone Oak Sports Bar & Grille's marketing strategies. Some restaurant owners look at slow periods and think that's when they need to spend money to drive sales, so they spend a big chunk of cash trying to build a happy hour business and forgo building on top of their busy periods. Fact is, there is a reason people aren't coming in from 4 to 6 p.m. and we'll be sending valuable marketing dollars down a black hole if we try to build on slow periods. There are nearly one million restaurants in the United States and probably only 2% of them are busy from 4 to 6 p.m. Marketing can't change behavior; it can only influence existing behaviors. We will spend our marketing dollar where it will have the best return for our restaurant.

80% to 90% of restaurant marketing budgets are spent against new trial—getting a new customer to visit for the first time. This is the least effective place to spend our money. The majority of new trial efforts are spent against mass media advertising, which is costly and has dismal return on investment. The fact is, new customer acquisition is 7–10 times more expensive than building restaurant sales through increased frequency, check average and party size.

But restaurant marketing isn't always about what's most effective, more often, it's about what everyone else is doing. Restaurant operators see that their competitor is on television or in the yellow pages or on a billboard and think that they should be too. They do this without regard for what's working. Restaurant owners have to wear so many hats that sometimes they just do what's easiest—they write a check for mass media advertising and hope for the best. Mass media is often more about feeding ego than driving sales. It's also impossible for most companies to compete in a toe-to-toe battle with the big guys. We will be employing many effective guerrilla marketing techniques. Direct target flyers, networking within our community, delivering on our promise of quality, atmosphere, and service. We believe this can go much further. We do anticipate an initial advertising campaign in the local *Boerne Independent* and *Boerne Today*.

We know effective restaurant marketing isn't easy. It takes a lot of careful research, analysis and testing. It's also ever-evolving, which makes it even more difficult to master. The fact that effective restaurant marketing is difficult to master is what can give us the competitive advantage. We will resist the temptation to change everything at once or to go it all alone. We will start small and build our marketing competencies over time. In the beginning, we will do simple programs so we can execute them well and measure the results.

Marketing Tactics

We will immediately and directly be targeting much of the local residential area. We will target these customers directly through flyers, menu brochures, and other forms of cost effective distribution. Other strategic targets will include local businesses and the chamber of commerce to which we can offer open house lunches. It will be vital to network within the business community to increase our visibility.

Promotion Strategy

Our first promotional strategy principle will be as follows:

When we look at the community around us, it may seem as if our market is unlimited, but for most restaurants our market area generally extends to about a five-mile radius around our restaurant. The one-mile radius around our restaurant will receive 50% of our time and resources; up to three miles will receive an additional 30%; up to five miles an additional 16% to 18% and the outer limits a maximum of 2% to 4%.

Our second promotional strategy is as follows:

The real key to our success is dependent upon the relationship that we build with every one of our customers. How our customers "feel" about our restaurant services determines the strength of their patronage. The keys to creating fierce customer loyalty are to provide the highest quality food, outstanding customer service and personalized marketing. With proper planning and action, our restaurant will be the "Restaurant of First Choice" in our market area.

We will identify our market. This is done primarily through detailed mapping and gathering customer demographics. We will "saturate market" the homes of potential customers with door hangers about our restaurant and as they patronize us, we can enroll them in a "VIP Club" to gather their names and reward their loyalty. We will work extremely hard to build a customer database including at a minimum, their email address. We know that the customer groups that will show us the best return are within three miles around our restaurant.

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The Stone Oak Sports Bar & Grille believes that next to e-mail, door hanging is by far the most effective and inexpensive way that we can distribute our marketing materials. But it is important that we set up procedures and processes so that the individuals who receive our materials actually want to receive them and don't perceive it as "garbage." If we do door hanging promotions correctly, very few people will be upset with the marketing materials from our restaurant. The materials that we hang on the door will have a professional appearance using full color pictures and text. Our goal is to do a quality job and distribute as many marketing pieces as we can by visiting as many homes and businesses as possible. This will be planned in every market segment around our restaurant which is referred to as "saturation marketing." It goes to everyone, except our current customers.

Promotional Timelines

- **At Startup:** At startup we will distribute flyers, hangers, do initial print media advertising and will strongly network within our community.
- **First 30 Days:** Begin marketing using our database. We will send out Bounce-Backs, Birthday Offers, and other Special Offers. We will establish an ongoing marketing program that delivers a consistent message and builds customer loyalty.
- **After 90 days:** Send out a more generous offer. If these customers have not bought from us for 90 days, then we can be assured that they are looking elsewhere to dine. When a customer does buy from us for a period of time and then stops, we know we will need to market to get them back. This is called marketing to "lost" or "lazy" customers and the goal is to get them back into our restaurant at least once a month.
- **After 120 days:** Send out an absolutely "FREE" offer with no strings attached. Focus and organization are the keys to strategic and tactical marketing.

Milestones

- Preliminary Research—Type—COMPLETE; Competitive Environment—COMPLETE; Location Research—COMPLETE
- Visit Other Restaurants and Conduct Onsite Research—COMPLETE
- Determine what restaurants are thriving—COMPLETE
- Begin Networking—ALL COMPLETE
- Preliminary Site Selection—COMPLETE
- Investigate Funding Strategies—COMPLETE
- Begin Preliminary Cost Structure Research—COMPLETE
- Design Preliminary Revenue Forecasts—COMPLETE
- Build Operational "Do" and "Don't" Strategies—COMPLETE
- Begin Determining Square Footage Requirements For—ALL COMPLETE
- Begin Recipe Design—COMPLETE
- Begin Building New/Used Equipment Contacts—COMPLETE
- Interview Restaurateurs—COMPLETE
- Interview Government Agencies—COMPLETE
- Interview Local People—COMPLETE
- Obtain Permits Information—COMPLETE
- Form Legal Entity—COMPLETE

- Personal Strength/Weakness Analysis—COMPLETE
- Find and Catalog Restaurant-based—ALL COMPLETE
- Outline Business Plan—COMPLETE
- Research Industry—COMPLETE
- Research Market—COMPLETE
- Focused Concept Design—In Progress
- Focused Menu and Recipe Design—In Progress
- Target Market Strategy Design—COMPLETE
- Begin Meeting with Real Estate Agents—COMPLETE
- Begin Meeting with Bankers—COMPLETE
- Expand Financial Projection—ALL COMPLETE
- Complete Recipes—In Progress
- Begin Price Research and Design—In Progress
- Begin Networking with Vendors—COMPLETE
- Meet with all Necessary ... (In Process)
- Join Trade Associations and Networking Forums—COMPLETE
- Finalize Advisor and Support Team—In Progress
- Finalize Financial Numbers—COMPLETE
- Finalize Business Plan—COMPLETE
- Set up restaurant's name and obtain taxpayer ID—In Progress
- Finalize Site Location—In Progress
- Begin working up plans with—In Progress
- Begin Business Plan Review Process—To be begun
- Begin Mapping the Restaurant Flow Plans—To be begun
- Finalize Equipment Needs—To be begun
- Begin Seeking Capital—In Progress
- Begin Location Negotiations—In Progress
- Do Final Business Plan Adjustments Due to Feedback—To be begun
- Obtain all Possible Financing and Capital—To be completed
- Begin Scheduling—To be begun
- Join Local Chamber of Commerce—In Progress
- Join National Restaurant Association—In Progress
- Begin Hardcore Community Networking—In Progress
- Begin Office Set-up—To be begun
- Determine Exact Small Ware Purchases—To be begun
- Final Menu Prices—To be begun

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- Begin Development of Operations Manuals—To be begun
- Begin Development of Employee Handbooks—To be begun
- Manage and Monitor Construction Progression—To be begun
- Finish Office Set-Up (Including Bookkeeping and Accounting Systems)—To be begun
- Begin Feeding Family and Friends Menu Items—In Progress
- Begin Determining Hiring and Staffing Needs and Process—In Progress
- Begin Marketing, Advertising and Public Relations Plans—To be begun
- Begin Negotiations with Vendors and determine delivery schedules and terms—To be begun
- Order—To be begun
- Build Sourcing, Selection, Hiring, Training, Management—In Progress
- Continually Manage and Monitor Construction Progress—To be begun
- Put in All Orders for Food and Beverages to arrive three days before grand opening—To be begun
- Design all Cash handling procedures—To be begun
- Design all inventory procedures—To be begun
- Design all Checklists—To be begun
- Finalize Menu and Order Printing of Menus—To be begun
- Work with bank and arrange merchant accounts—To be begun
- Finalize Detailed Job Descriptions—To be begun
- Begin Executing People Plan—To be begun
- Ensure Facility Construction is Nearing Completion—To be done
- Set up all Utilities—To be begun
- Check Status of Permits and Licenses—To be begun
- Begin Pre-opening Countdown and PR campaign—To be begun
- Finalize all Operating Systems (Test all Systems)—To be begun
- Hire all Staff—To be begun
- Begin Staff Training—To be begun
- Ensure Construction is being Finished—To be begun
- Schedule Soft Grand Opening Date—To be begun
- Schedule VIP Grand Opening Date—To be begun
- Schedule Public Grand Opening Date—To be begun
- Hand Out Soft Grand Opening Date—To be begun
- Send out VIP Grand Opening Date—To be begun
- Begin Pre-Opening Advertising and Marketing—To be begun
- Construction—To be completed
- Equipment Schedule to Arrive—To be completed
- Equipment Installation—To be begun

- Equipment Testing—To be begun
- Small Wares Arrive—To be completed
- Begin Clean Up—To be completed
- Ensure Complete Small Wares Have Arrived—To be begun
- Follow Up to Ensure Licenses and Permits are Obtained and Displayed—To be completed
- Walk through Facilities with Construction Manager to Ensure Place is Complete
- Make any Plans with Construction Manager for Unsatisfactory Work—To be begun
- Ensure Food and Beverages Arrive on Schedule—To be begun
- Finalize Training for Soft Grand Opening—To be completed
- Soft Opening—To be completed
- Analyze Feedback—To be done
- Work with Staff to Make Necessary Changes or Focus on Weakness—To be done
- Prepare for VIP Grand Opening—To be begun
- Ensure that Unsatisfactory Construction Issues have been fixed—To be begun
- Make Sure all Items on All Checklists are Complete—To be completed

Strategic Alliances

Advisor List

1. Consultant: Brad E. Williams—Michigan Department of Liquor, Ret.
2. Attorney: Frank K. Ward
3. CPA: Earl V. Micks
4. Strategic Consultants: Hemmingway & Associates, Inc.

Revenue Forecast

The Revenue Forecast is based on industry averages from the National Restaurant Association, and Deloitte. Fiscal years two through five reflect 6% growth annually.

Annual revenue forecast

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Beverages	\$ 798,000	\$ 845,880	\$ 896,633	\$ 950,431	\$1,007,457
Food	\$ 216,500	\$ 229,490	\$ 243,529	\$ 257,855	\$ 273,326
Total revenues	\$1,014,500	\$1,075,370	\$1,139,892	\$1,208,286	\$1,280,783
Cost of goods sold					
Beverage	\$ 189,126	\$ 200,474	\$ 212,502	\$ 225,252	\$ 238,767
Food	\$ 67,115	\$ 71,142	\$ 75,410	\$ 79,935	\$ 84,731
Total cost of goods sold	\$ 256,241	\$ 271,615	\$ 287,912	\$ 305,187	\$ 323,498

MANAGEMENT SUMMARY

Management Team

Henry DiMuzio

Mr. DiMuzio is a 10-year resident of Boerne. Up until just recently, he was in Law Enforcement since 1994 as a police officer and captain. He has the utmost integrity and respect for the law, and

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brings a good working knowledge of Michigan's Liquor Laws and procedures to this new business venture.

Prior to his Law Enforcement career, Mr. DiMuzio worked for a leading national beer distributor in New Jersey, as well as several bars and taverns in New York and New Jersey as a bartender and security personnel. This provides him with great insight into the liquor end of the business. Additionally, he was in the culinary arts for numerous years, working in Doubletree and Hilton Hotel chains as a line chef. This lends Mr. DiMuzio the experience of the back of the house—the kitchen.

Nick Sturgeon

Looking back to August 28, 1980, Mr. Sturgeon was in the eighth grade and was subsequently also the first day of his working life. He started as a newspaper carrier delivering newspapers to homes at 5 a.m. each and every morning until he was able to drive in 1983. This allowed him to work inside the newspaper distributing office. Mr. Sturgeon kept delivering newspapers until 1990 when he was rewarded with his own agency under contract until 1993.

It was then Mr. Sturgeon started to work part time at a friend's family pizza business located in downtown Detroit. He took interest to the point of opening his own, leaving the newspaper business after fifteen years. He opened his own pizza place on August 8, 1995, and was very successful.

In January 1999, Mr. Sturgeon saw the growth factor in Boerne and decided that life and business would be much more rewarding there. He moved his family there in May 2000. Shortly after relocating, he opened his first restaurant in Boerne. This restaurant consisted of 1,600 square feet, servicing a dining room and walk-ins as well as phone order pick-ups. Getting the staff organized allowed him to expand his business to nearby Greenbay Park in 2003.

The Greenbay Park location is currently operating with dine-in phone orders and walk-ins. This store is 1,800 square feet and also serves alcohol. Both Nick's stores keep busy and customer satisfaction is our best quality due to owner involvement. Employee turnaround is minimal, which makes operating much more adequate.

A third business which also brings his kitchen abilities to the new journey is currently Mr. Sturgeon's goal. This new venture will allow his Detroit food connections to bring unique foods to Boerne and keep a distance from competition. A third location or third business has been a personal goal for him in the past two years. Now the location, timing and a partner that is more dedicated than him, makes it all fall into place. It confirms that it is time to move forward just as he has in past decisions. Mr. Sturgeon has not had more than three different jobs in his entire life, so this decision is well thought-out.

Personnel Plan

Fiscal years two through five reflect a 5% increase in salaries and wages.

Annual personnel plan

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Bartenders	\$ 42,399	\$ 44,519	\$ 46,745	\$ 49,083	\$ 51,537
Wait-staff	\$ 69,211	\$ 72,671	\$ 76,305	\$ 80,120	\$ 84,126
Kitchen staff	\$ 93,112	\$ 97,768	\$102,656	\$107,789	\$113,179
Management	\$ 64,015	\$ 67,215	\$ 70,576	\$ 74,105	\$ 77,810
Total payroll	\$268,737	\$282,174	\$296,283	\$311,097	\$326,652

FINANCIAL ANALYSIS

Key financial indicators

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Revenues	\$1,014,500	\$1,075,370	\$1,139,892	\$1,208,286	\$1,280,783
Gross margin	\$ 758,259	\$ 803,755	\$ 851,980	\$ 903,099	\$ 957,285
Operating expenses	\$ 534,116	\$ 562,695	\$ 582,501	\$ 603,172	\$ 624,748

Annual pro forma profit and loss

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Total income	\$1,014,500	\$1,075,370	\$1,139,892	\$1,208,286	\$1,280,783
Cost of goods sold	\$ 256,241	\$ 271,615	\$ 287,912	\$ 305,187	\$ 323,498
Gross profit	\$ 758,259	\$ 803,755	\$ 851,980	\$ 903,099	\$ 957,285
Gross profit %	74.74%	74.74%	74.74%	74.74%	74.74%
Expenses:					
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Depreciation	\$ 71,429	\$ 71,429	\$ 71,429	\$ 71,429	\$ 71,429
Lease	\$ 147,150	\$ 151,565	\$ 156,111	\$ 160,795	\$ 165,619
Satellite	\$ 12,000	\$ 12,240	\$ 12,485	\$ 12,734	\$ 12,989
Electric	\$ 12,000	\$ 12,240	\$ 12,485	\$ 12,734	\$ 12,989
Insurance	\$ 8,400	\$ 8,568	\$ 8,739	\$ 8,914	\$ 9,092
Accounting	\$ 4,800	\$ 4,896	\$ 4,994	\$ 5,094	\$ 5,196
Gas	\$ 7,200	\$ 7,344	\$ 7,491	\$ 7,641	\$ 7,794
Phone/internet	\$ 2,400	\$ 2,448	\$ 2,497	\$ 2,547	\$ 2,598
Supplies	\$ 2,400	\$ 2,448	\$ 2,497	\$ 2,547	\$ 2,598
Advertising	\$ 6,000	\$ 6,120	\$ 6,242	\$ 6,367	\$ 6,495
Maintenance & repairs	\$ 1,200	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299
Total operating expenses	\$ 534,116	\$ 562,695	\$ 582,501	\$ 603,172	\$ 624,748
Profit before interest and taxes	\$ 224,143	\$ 241,059	\$ 269,479	\$ 299,926	\$ 332,537
Interest expense	\$ 24,910	\$ 21,843	\$ 18,537	\$ 14,975	\$ 11,137
Taxes incurred	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net profit	\$ 199,233	\$ 219,217	\$ 250,941	\$ 284,951	\$ 321,400
Net profit/sales	19.64%	20.39%	22.01%	23.58%	25.09%

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Annual pro forma cash flow

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Cash received					
Cash from operations:					
Revenues	\$1,014,500	\$1,075,370	\$1,139,892	\$1,208,286	\$1,280,783
Expenditures					
Expenditures from operations					
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Lease	\$ 147,150	\$ 151,565	\$ 156,111	\$ 160,795	\$ 165,619
Satellite	\$ 12,000	\$ 12,240	\$ 12,485	\$ 12,734	\$ 12,989
Electric	\$ 12,000	\$ 12,240	\$ 12,485	\$ 12,734	\$ 12,989
Insurance	\$ 8,400	\$ 8,568	\$ 8,739	\$ 8,914	\$ 9,092
Accounting	\$ 4,800	\$ 4,896	\$ 4,994	\$ 5,094	\$ 5,196
Gas	\$ 7,200	\$ 7,344	\$ 7,491	\$ 7,641	\$ 7,794
Phone/internet	\$ 2,400	\$ 2,448	\$ 2,497	\$ 2,547	\$ 2,598
Supplies	\$ 2,400	\$ 2,448	\$ 2,497	\$ 2,547	\$ 2,598
Advertising	\$ 6,000	\$ 6,120	\$ 6,242	\$ 6,367	\$ 6,495
Maintenance & repairs	\$ 1,200	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299
Interest expense	\$ 24,910	\$ 21,843	\$ 18,537	\$ 14,975	\$ 11,137
Cost of sales	\$ 256,241	\$ 271,615	\$ 287,912	\$ 305,187	\$ 323,498
Subtotal spent on operations	\$ 753,438	\$ 784,725	\$ 817,522	\$ 851,906	\$ 887,955
Additional cash spent					
Principle repayment of loan	\$ 39,511	\$ 42,578	\$ 45,883	\$ 49,445	\$ 53,284
Subtotal cash spent	\$ 792,949	\$ 827,303	\$ 863,406	\$ 901,352	\$ 941,239
Net cash flow	\$ 221,551	\$ 248,067	\$ 276,486	\$ 306,934	\$ 339,544
Cash balance	\$ 242,808	\$ 490,876	\$ 767,362	\$1,074,296	\$1,413,840

Pro forma balance sheet

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Assets					
Current assets					
Cash	\$242,808	\$490,876	\$ 767,362	\$1,074,296	\$1,413,840
Food inventory	\$ 7,502	\$ 7,502	\$ 7,502	\$ 7,502	\$ 7,502
Bar inventory	\$ 21,240	\$ 21,240	\$ 21,240	\$ 21,240	\$ 21,240
Total current assets	\$271,551	\$519,618	\$ 796,105	\$1,103,039	\$1,442,583
Long-term assets					
Equipment	\$230,000	\$230,000	\$ 230,000	\$ 230,000	\$ 230,000
Leasehold improvements	\$270,000	\$270,000	\$ 270,000	\$ 270,000	\$ 270,000
Accumulated depreciation	\$ 71,429	\$142,857	\$ 214,286	\$ 285,714	\$ 357,143
Total long-term assets	\$428,571	\$357,143	\$ 285,714	\$ 214,286	\$ 142,857
Total assets	\$700,123	\$876,761	\$1,081,819	\$1,317,325	\$1,585,440
Liabilities and owner's equity					
Current liabilities					
Current portion of debt	\$ 42,578	\$ 45,883	\$ 49,445	\$ 53,284	\$ 57,421
Total current liabilities	\$ 42,578	\$ 45,883	\$ 49,445	\$ 53,284	\$ 57,421
Long-term liabilities					
Loan	\$267,911	\$222,028	\$ 172,583	\$ 119,299	\$ 61,878
Total liabilities	\$310,489	\$267,911	\$ 222,028	\$ 172,583	\$ 119,299
Owner's investment	\$313,000	\$313,000	\$ 313,000	\$ 313,000	\$ 313,000
Retained earnings	\$ 76,633	\$295,850	\$ 546,791	\$ 831,742	\$1,153,142
Earnings	\$189,633	\$219,217	\$ 250,941	\$ 284,951	\$ 321,400
Total owner's equity	\$389,633	\$608,850	\$ 859,791	\$1,144,742	\$1,466,142
Total liabilities & owner's equity	\$700,123	\$876,761	\$1,081,819	\$1,317,325	\$1,585,440

Sensitivity analysis

Stone Oak	FY 1	FY 2	FY 3	FY 4	FY 5
Revenues @80%					
Revenue	\$ 811,600	\$ 860,296	\$ 911,914	\$ 966,629	\$1,024,626
COGS	\$ 204,993	\$ 217,292	\$ 230,330	\$ 244,150	\$ 258,799
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Fixed costs	\$ 265,379	\$ 280,521	\$ 286,219	\$ 292,075	\$ 298,096
EBIT	\$ 72,492	\$ 80,309	\$ 99,083	\$ 119,307	\$ 141,080
Revenues @90%					
Revenue	\$ 913,050	\$ 967,833	\$1,025,903	\$1,087,457	\$1,152,705
COGS	\$ 230,617	\$ 244,454	\$ 259,121	\$ 274,668	\$ 291,149
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Fixed costs	\$ 265,379	\$ 280,521	\$ 286,219	\$ 292,075	\$ 298,096
EBIT	\$ 148,317	\$ 160,684	\$ 184,281	\$ 209,616	\$ 236,808
Revenues @100%					
Revenue	\$1,014,500	\$1,075,370	\$1,139,892	\$1,208,286	\$1,280,783
COGS	\$ 256,241	\$ 271,615	\$ 287,912	\$ 305,187	\$ 323,498
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Fixed costs	\$ 265,379	\$ 280,521	\$ 286,219	\$ 292,075	\$ 298,096
EBIT	\$ 224,143	\$ 241,059	\$ 269,479	\$ 299,926	\$ 332,537
Revenues @110%					
Revenue	\$1,115,950	\$1,182,907	\$1,253,881	\$1,329,114	\$1,408,861
COGS	\$ 281,865	\$ 298,777	\$ 316,704	\$ 335,706	\$ 355,848
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Fixed costs	\$ 265,379	\$ 280,521	\$ 286,219	\$ 292,075	\$ 298,096
EBIT	\$ 299,969	\$ 321,435	\$ 354,677	\$ 390,236	\$ 428,265
Revenues @120%					
Revenue	\$1,217,400	\$1,290,444	\$1,367,871	\$1,449,943	\$1,536,939
COGS	\$ 307,489	\$ 325,939	\$ 345,495	\$ 366,225	\$ 388,198
Payroll	\$ 268,737	\$ 282,174	\$ 296,283	\$ 311,097	\$ 326,652
Fixed costs	\$ 265,379	\$ 280,521	\$ 286,219	\$ 292,075	\$ 298,096
EBIT	\$ 375,795	\$ 401,810	\$ 439,875	\$ 480,546	\$ 523,993

SPORTS BAR AND GRILLE

Monthly pro forma profit and loss

Stone Oak	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Total income	\$84,542	\$84,542	\$84,542	\$84,542	\$84,542	\$84,542
Cost of goods sold	\$21,353	\$21,353	\$21,353	\$21,353	\$21,353	\$21,353
Gross profit	\$63,188	\$63,188	\$63,188	\$63,188	\$63,188	\$63,188
Gross profit %	74.74%	74.74%	74.74%	74.74%	74.74%	74.74%
Expenses:						
Payroll	\$22,395	\$22,395	\$22,395	\$22,395	\$22,395	\$22,395
Depreciation	\$ 5,952	\$ 5,952	\$ 5,952	\$ 5,952	\$ 5,952	\$ 5,952
Lease	\$12,263	\$12,263	\$12,263	\$12,263	\$12,263	\$12,263
Satellite	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Electric	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Insurance	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
Accounting	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
Gas	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Phone/internet	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Supplies	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Advertising	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Maintenance & repairs	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Total operating expenses	\$45,310	\$45,310	\$45,310	\$45,310	\$45,310	\$45,310
Profit before Interest and taxes	\$17,879	\$17,879	\$17,879	\$17,879	\$17,879	\$17,879
Interest expense	\$ 2,188	\$ 2,168	\$ 2,148	\$ 2,127	\$ 2,107	\$ 2,087
Taxes incurred	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net profit	\$15,691	\$15,711	\$15,731	\$15,751	\$15,771	\$15,792
Net profit/sales	18.56%	18.58%	18.61%	18.63%	18.66%	18.68%
Stone Oak	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Total income	\$84,542	\$84,542	\$84,542	\$84,542	\$84,542	\$84,542
Cost of goods sold	\$21,353	\$21,353	\$21,353	\$21,353	\$21,353	\$21,353
Gross profit	\$63,188	\$63,188	\$63,188	\$63,188	\$63,188	\$63,188
Gross profit %	74.74%	74.74%	74.74%	74.74%	74.74%	74.74%
Expenses:						
Payroll	\$22,395	\$22,395	\$22,395	\$22,395	\$22,395	\$22,395
Depreciation	\$ 5,952	\$ 5,952	\$ 5,952	\$ 5,952	\$ 5,952	\$ 5,952
Lease	\$12,263	\$12,263	\$12,263	\$12,263	\$12,263	\$12,263
Satellite	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Electric	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Insurance	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
Accounting	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
Gas	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Phone/internet	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Supplies	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Advertising	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Maintenance & repairs	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Total operating expenses	\$45,310	\$45,310	\$45,310	\$45,310	\$45,310	\$45,310
Profit before interest and taxes	\$17,879	\$17,879	\$17,879	\$17,879	\$17,879	\$17,879
Interest expense	\$ 2,066	\$ 2,046	\$ 2,025	\$ 2,004	\$ 1,983	\$ 1,962
Taxes incurred	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net profit	\$15,812	\$15,833	\$15,854	\$15,875	\$15,896	\$15,917
Net profit/sales	18.70%	18.73%	18.75%	18.78%	18.80%	18.83%

Monthly pro forma cash flow

Stone Oak	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Cash received						
Cash from operations:						
Revenues	\$84,542	\$84,542	\$84,542	\$84,542	\$ 84,542	\$ 84,542
Expenditures						
Expenditures from operations						
Payroll	\$22,395	\$22,395	\$22,395	\$22,395	\$ 22,395	\$ 22,395
Lease	\$ 2,263	\$12,263	\$12,263	\$12,263	\$ 12,263	\$ 12,263
Satellite	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Electric	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Insurance	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
Accounting	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
Gas	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Phone/internet	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Supplies	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Advertising	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Maintenance & repairs	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Interest expense	\$ 2,188	\$ 2,168	\$ 2,148	\$ 2,127	\$ 2,107	\$ 2,087
Cost of sales	\$21,353	\$21,353	\$21,353	\$21,353	\$ 21,353	\$ 21,353
Subtotal spent on operations	\$62,898	\$62,878	\$62,858	\$62,838	\$ 62,818	\$ 62,798
Additional cash spent						
Principle repayment of loan	\$ 3,181	\$ 3,201	\$ 3,221	\$ 3,241	\$ 3,261	\$ 3,282
Subtotal cash spent	\$66,079	\$66,079	\$66,079	\$66,079	\$ 66,079	\$ 66,079
Net cash flow	\$18,463	\$18,463	\$18,463	\$18,463	\$ 18,463	\$ 18,463
Cash balance	\$39,720	\$58,182	\$76,645	\$95,107	\$113,570	\$132,033
Stone Oak	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Cash received						
Cash from operations:						
Revenues	\$ 84,542	\$ 84,542	\$ 84,542	\$ 84,542	\$ 84,542	\$ 84,542
Expenditures						
Expenditures from operations						
Payroll	\$ 22,395	\$ 22,395	\$ 22,395	\$ 22,395	\$ 22,395	\$ 22,395
Lease	\$ 12,263	\$ 12,263	\$ 12,263	\$ 12,263	\$ 12,263	\$ 12,263
Satellite	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Electric	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Insurance	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700
Accounting	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
Gas	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Phone/internet	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Supplies	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Advertising	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Maintenance & repairs	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
Interest expense	\$ 2,066	\$ 2,046	\$ 2,025	\$ 2,004	\$ 1,983	\$ 1,962
Cost of sales	\$ 21,353	\$ 21,353	\$ 21,353	\$ 21,353	\$ 21,353	\$ 21,353
Subtotal spent on operations	\$ 62,777	\$ 62,756	\$ 62,736	\$ 62,715	\$ 62,694	\$ 62,673
Additional cash spent						
Principle repayment of loan	\$ 3,302	\$ 3,323	\$ 3,343	\$ 3,364	\$ 3,385	\$ 3,407
Subtotal cash spent	\$ 66,079	\$ 66,079	\$ 66,079	\$ 66,079	\$ 66,079	\$ 66,079
Net cash flow	\$ 18,463	\$ 18,463	\$ 18,463	\$ 18,463	\$ 18,463	\$ 18,463
Cash balance	\$150,495	\$168,958	\$187,420	\$205,883	\$224,346	\$242,808